

IRS News Release

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Guidance Relating to July 1st Application of New U.S.--Japan Income Tax Treaty

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WASHINGTON — Today, the Internal Revenue Service and the Japanese National Tax Agency respectively have issued guidance regarding the commencement of application of the new income tax treaty between the United States and Japan in each country.

The United States–Japan tax treaty, which was signed on November 6, 2003, entered into force on March 30, 2004. Pursuant to Article 30, the treaty generally is applicable with respect to withholding taxes on July 1, 2004. In the case of U.S. withholding taxes, the treaty is applicable for amounts paid or credited on or after July 1st. In the case of Japanese withholding taxes, the treaty is applicable for amounts taxable on or after July 1st.

The guidance issued today by the IRS provides illustrative examples regarding the application of the new treaty in the case of U.S. withholding taxes on dividends, interest, and royalties. Incorporated in the guidance is an attachment prepared by the Japanese National Tax Agency providing similar illustrative examples regarding the application of the new treaty in the case of Japanese withholding taxes on dividends, interest, and royalties. The Japanese National Tax Agency also has issued guidance providing these illustrative examples and incorporating the U.S. illustrative examples as an attachment.

The guidance is available on the IRS Web site at www.irs.gov.